QUANTO CURRENCY FUTURES

Key Information Document

2018

Purpose

This document provides key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products

Product

Name of Product:	**Quanto Currency Futures**
PRIIP Manufacturer:	**Johannesburg Stock Exchange**
Website:	https://www.jse.co.za/trade/derivative-market/currency-derivatives
Contact details:	Call +27 11 520 7000 or email info@jse.co.za
Competent Authority:	Financial Services Board (FSB)
Date of Publication:	January 2018

Alert: **You are about to purchase a product that is not simple and may be difficult to understand**

Product definition

Type: Derivative based contract

Objectives

JSE listed quanto currency futures are derivative instruments which give market participants exposure to the exchange rate between two non-South African Rand currency pairs. Retail investors do not require exchange control permission or an offshore trading account, as quanto currency futures are Rand-settled and investors therefore never own the physical underlying currency. Quanto currency futures also do not affect the offshore allowance of individual investors.

Quanto currency futures are legally binding agreements that give the right to buy (Long) or sell (Short) an underlying currency at a fixed exchange rate at a pre-defined future date (Expiry). Each contract represents a certain number of units of the underlying foreign currency, the quantity of which is dependent on the currency pair in question. *Please refer to the contract specifications per currency pair for more details on the contract sizes.* The investor can exit this exposure to a future by entering into an opposing futures position, with the same underlying and maturity, traded on the JSE.

When entering into a futures position, no initial payment is made between the buyer and seller. The buyer and the seller have opposing expectations of how the value of the futures price will develop. Either market participant will experience a profit if their expectations materialise, and a loss if their expectations do not materialise.

You are required to pay an initial margin, 'a deposit of good faith', upfront when trading in currency futures, which is held in trust by JSE Clear. Interest is earned daily on the deposit and is paid out on a monthly basis. When positions are closed, both the initial margin as well as the interest earned is paid back. Profits and losses are settled daily in the margin account through a variation margin process. In the case where losses exceed the cash amount in the margin account, a margin call will be made to the investor's clearing member, requesting that a deposit be made (variation margin) to ensure that the account balance is in line with the required minimum capital requirement as per the currency futures position/exposure. Currency futures are guaranteed by the JSE's clearing house, JSE Clear.

Intended retail investor

Travelers can use Currency futures to hedge themselves against movements in the exchange rate. Speculators use Currency futures to make a profit on short-term movements in prices. Arbitrageurs use them to profit from the price differentials of similar products in different markets. A currency future is a product suitable for clients with extensive knowledge and/ or experience in derivative financial products.

Risks and return

Risk indicator

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets.

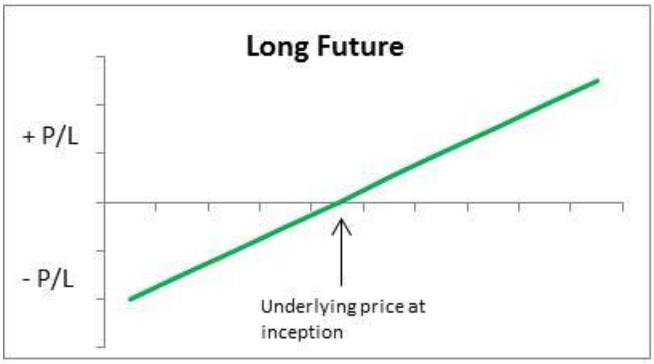
1	2	3	4	5	6	7
Lower risk ←-------------------→ Higher risk						

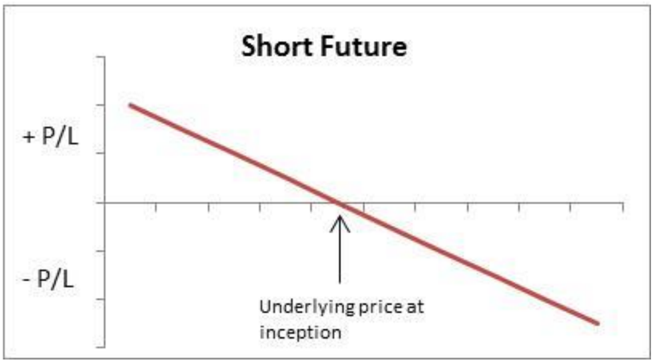
The product can be held for the duration of a short-, medium- or long-term investment horizon.

We have classified these products as 7 out of 7, which is the highest risk class. This rates potential losses from future performance at a very high level. Futures are leveraged products; initial costs of a customer, e.g. execution fees, assets deposited to secure the future's exposure, account for only a small percentage of the traded contract's overall value. Small changes in the future's price can result in huge gains or losses. In some circumstances, you may be required to make payments to pay for losses. The total loss you may incur may be significant.

Performance Scenarios

These graphs illustrate how your investment could perform. The horizontal axis shows the range of possible prices of the underlying asset on the expiry date and the vertical axis shows the profit or loss of the contract.





A **Buyer** enters into a long position on the future in expectation of **strengthening** exchange rates. As the market level closes on expiry, the P/L is represented by the position of green line at that market level.

A **Seller** enters into a short position on the future in expectation of **weakening** exchange rates. As the market level closes on expiry, the P/L is represented by the position of red line at that market level.

The profit or loss is calculated by taking the closing value of the contract and subtracting the initial value of the contract at initiation of the transaction. If the result is positive, the buyer makes a profit and if it is negative, the seller makes a profit.

What happens if JSE is unable to pay out?

The JSE is an exchange approved under South African law. Any derivative transaction traded on the JSE is cleared by JSE Clear (Pty) Ltd. Further information can be obtained at https://www.jse.co.za/services/post-trade-services/clearing-and-settlement/derivatives

What are the costs?

The JSE charges fees to its trading members via their clearing members. The full fee schedule is available on the website at https://www.jse.co.za/services/technologies/price-list.

The broker or intermediary with whom the investor has a contractual relationship may also charge other transaction and related costs, and will be able to provide further information with regard to all these costs.

How long should I hold it and can I take money out early?

There is no recommended holding period for these products. They can be help for the duration of short-, medium-, long-term investment horizon. The optimal holding period depends upon the retail investor's individual strategy and risk profile. A derivative position can be traded and closed out on any trading day until expiration. In particular, a long position can be closed by entering a sell order in the market on any day up to and including the expiration date of the contract, and a short position can be closed by entering a buy order in the market on any day up to and including the expiration date of the contract.

How can I complain?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship. Furthermore, the retail investor can address complaints to the JSE at info@jse.co.za

Other relevant information

Further information is available here:

Product specifications: https://www.jse.co.za/trade/derivative-market/currency-derivatives